

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 300 – SB 1188

February 28, 2017

SUMMARY OF ORIGINAL BILL: Deletes and replaces a current qualification applicable to an individual seeking registration as an engineer, establishing that a person, having completed a course of engineering curriculum of four years or more must pass an examination prepared by the National Council of Examiners for Engineering and Surveying (NCEES). Removes the current requirement to obtain certification as an engineer intern.

Establishes an alternative option for meeting one of the three registration requirements for attaining a certificate of registration as a master barber by establishing that an individual may hold a valid Tennessee cosmetology license and complete 300 hours in a registered barber school or college regarding the fundamentals of straight razor shaving and barbering techniques in lieu of completing a course of 1,500 hours in a registered barber school or college.

Establishes an alternative option for meeting one of three licensing requirements as a cosmetologist, by establishing that an individual may hold a valid master barber registration and complete 300 hours in a licensed school of cosmetology, learning the fundamentals of cosmetology technique and pedicuring in lieu of completing a course of 1,500 hours in practice and theory at a licensed school of cosmetology, learning the fundamentals of cosmetology technique and pedicuring.

Expands the disciplinary power of the Commissioner of the Department of Commerce and Insurance (TDCI) by making any felony committed by a licensed home inspector, rather than only a felony committed while in the course of practice of home inspection, as cause for denial of application, a civil penalty of \$1,000 per violation, suspension, revocation, or refusal to issue or renew a license.

Removes cash and property bonds as acceptable forms of bond insurance, as required of applicant home improvement contractors seeking licensure.

Establishes that the principal broker in a real estate firm is solely required to report a change in office address to the Tennessee Real Estate Commission (TREC), rather than requiring all licensed real estate brokers at such office to report to TREC.

Authorizes a licensed contract security company to employ temporary employees not registered with the TDCI as temporary security guards for special events upon approval of a special event permit by TDCI. Restricts an individual from acting as a temporary security guard under a special event permit for more than 10 days in a calendar year. Authorizes the TDCI to assess a fee for such temporary security guard permits; however, if TDCI does not set a fee, the fee shall be \$35 per security guard.

Makes various changes to Tennessee Code Annotated Title 62, Chapter 29, Part 4 relative to real estate appraisal management companies. Redefines “appraisal management companies” or “AMCs” as defined in Tenn. Code Ann. § 62-39-402. Defines "federally regulated AMC" as an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. § 1813, and that is regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation. Establishes that federally regulated AMCs are excluded from the licensing requirements of the Real Estate Appraiser Commission (REAC). Requires an AMC to submit reports, information, and documents as the REAC may reasonably require. Authorizes the REAC to collect and transmit an annual registry fee, in an amount set by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council from registered AMCs and AMCs operating as subsidiaries of a federally regulated financial institution in this state. Requires any AMC which is not owned and controlled by an insured depository institution and is not regulated by a federal financial regulatory institution, to register with the REAC and employ only state-certified and state-licensed appraisers for appraisals to be performed in this state.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$1,800/Private Protective Services

Decrease State Revenue – \$5,000/Board of Architectural and Engineering Examiners

Other Fiscal Impact – The estimated recurring increase in state permit fee revenue (\$1,800) to the Private Protective Services licensing program (PPS) will not require any additional expenditure outlay; any additional workload experienced by PPS is estimated to be not significant, and can be handled by existing staff during normal work hours.

Given the cumulative reserves held (\$1,651,702) by the Board of Architectural and Engineering Examiners (BAEE) as of June 30, 2016, and the estimated recurring decrease in state licensure fee revenue (\$5,000) to the BAEE, it is assumed that the BAEE will not be required to increase any fees for the purpose of remaining self-supporting pursuant to Tenn. Code Ann. § 4-29-121.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Decrease Business Expenditures – Net Impact - \$3,200

SUMMARY OF AMENDMENT (004150): Deletes and replaces language in the original bill such that the only substantive change establishes that, rather than any felony committed by a home inspector being punishable by a civil penalty of \$1,000 per violation, suspension, revocation, or refusal to issue or renew a license, such penalties are only applicable if the felony offense bears directly on the licensee’s fitness to practice the profession of home inspection competently, as determined by the commissioner of TDCI.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- For the purpose of promulgating rules, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect July 1, 2017.
- Pursuant to the Board of Architectural and Engineering Examiners (BAEE) board rule 0120-01-.06, in order for an individual to attain a certification as an engineer intern, such individual must submit an application for certification accompanied by a nonrefundable fee of \$15 and successfully pass the required examination administered by the NCEES.
- This bill as amended will remove statute which requires an individual to obtain certification as an engineer intern prerequisite to register as an engineer.
- As of the published date of this fiscal memorandum, the amount of revenue collected by the BAEE in FY15-16 from the nonrefundable fee paid by engineer interns was not available.
- This bill as amended will not remove an individual's ability to register as an engineering intern.
- The recurring decrease in state fee revenue to the BAEE is unknown, but is reasonably estimated to average \$5,000 per year.
- This bill as amended will not result in a decrease in revenue sufficient for the BAEE to reduce staffing.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two- year period. The BAEE experienced a surplus of \$300,561 in FY14-15, a surplus of \$138,140 in FY15-16, and a cumulative reserve balance of \$1,651,702 on June 30, 2016.
- Given the cumulative reserves held by the BAEE as of June 30, 2016 (\$1,651,702), and the estimated recurring decrease in state revenue to the BAEE (\$5,000), it is assumed that the BAEE will not be required to increase fees imposed upon remaining licensees for the purpose of remaining self-supporting.
- There will be no significant impact to the Board of Cosmetology and Barber Examiners (BCBE) as a result of providing an alternative path to attaining a certificate of registration as a cosmetologist or master barber.
- The BCBE experienced a surplus of \$104,555 in FY14-15, a deficit of \$163,666 in FY15-16, and a cumulative reserve balance of \$230,833 on June 30, 2016.
- Authorizing the Commissioner of the TDCI to punish a home inspector for felony offenses which are deemed by the Commissioner of the TDCI to have bearing on the licensee's fitness to practice home inspection competently will result in no significant decrease in total actively licensed home inspectors or any significant increase in fine revenue collected as a result of a violations committed by licensees; therefore, no significant impact on the Home Inspector Licensing Program (HILP).

- The HILP experienced a surplus of \$19,783 in FY14-15, a deficit of \$46,613 in FY15-16, and a cumulative reserve balance of \$68,953 on June 30, 2016.
- Removing certain forms of bond insurance which currently meet application requirements for a home improvement contractor's license is estimated to have no significant impact upon the Board for Licensing Contractors (BLC).
- The BLC experienced a surplus of \$553,771 in FY14-15, a deficit of \$1,824,014 in FY15-16, and a cumulative reserve balance of \$2,251,300 on June 30, 2016.
- Pursuant to the TREC rule 1260-01-.12, a change of address fee is \$50.
- The TREC collected \$10,600 in change of address fees in FY15-16.
- Based on information provided by TREC, only primary brokers currently pay a change in address fee; therefore, there is estimated to be no significant impact on TREC.
- The TREC experienced a surplus of \$777,759 in FY14-15, a surplus of \$331,112 in FY15-16, and a cumulative reserve balance of \$4,412,525 on June 30, 2016.
- Any licensed contract security company which wishes to employ temporary employees is required to pay a fee to the Private Protectives Services (PPS).
- This bill as amended authorizes PPS to set the fee amount and, if not set, charge \$35 per temporary employee. For purposes of estimation, a \$35 fee is assumed.
- Temporary employees are prohibited from working more than 10 days in a calendar year.
- The opportunity to employ temporary employees is not estimated to have an impact upon the current, total number of armed and unarmed security guards/officers registered with the PPS.
- An estimated 50 temporary employee registration permits will be purchased annually by private protective service companies.
- A recurring increase in state fee revenue to the PPS of \$1,750 (50 x \$35).
- The PPS experienced a surplus of \$239,390 in FY14-15, a surplus of \$127,347 in FY15-16, and a cumulative reserve balance of \$1,840,600 on June 30, 2016.
- Based on information provided by the TDCI, in certain licensing situations regarding boards under the Division of Regulatory Boards, licensees retain licensure despite the fact that the license may not be required under state law or the respective board's rules and regulations.
- Based on information provided by the TDCI, the impact of this bill upon the REAC is estimated to be one of such situations, as exempted AMCs will still need to keep association with the REAC while conducting business in this state. There could be additional licenses issued as a result of this bill as amended; however, any increase in licenses issued will be offset by a corresponding decrease in licenses resulting from new licensure exemptions. There is estimated to be no significant net increase or net decrease in the number of licensed AMCs in this state due to the exemptions and additional licensure requirements included in this bill as amended.
- The REAC experienced a surplus of \$182,418 in FY14-15, a surplus of \$295,388 in FY15-16, and a cumulative reserve balance of \$1,935,259 on June 30, 2016.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This bill as amended is estimated to result in a recurring increase in business expenditures of \$1,800 for licensed contract security companies to purchase permits for temporary employees.
- The bill as amended is estimated to result in a recurring decrease in business expenditures of \$5,000 as a result of engineers no longer being required to pay a fee in order to obtain certification.
- The impact to business expenditures is estimated as a net decrease in business expenditures of \$3,200 (\$5,000 - \$1,800)
- This bill as amended will have no significant impact on jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb